

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 659-01  
Bill No.: HB 116  
Subject: Motor Vehicles, Revenue, Taxation and Revenue - General, Taxation and  
Revenue - Sales and Use  
Type: Original  
Date: January 15, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$32,052,471)	(\$67,298,679)	(\$70,663,612)
Highway Funds	(\$39,114,233)	(\$82,128,379)	(\$86,234,797)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$71,166,704)</b>	<b>(\$149,427,058)</b>	<b>(\$156,898,409)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
CITIES	(\$4,799,349)	(\$10,078,633)	(\$10,582,565)
COUNTIES	(\$3,199,566)	(\$6,719,089)	(\$7,055,043)
<b>Local Government</b>	<b>(\$7,998,915)</b>	<b>(\$16,797,722)</b>	<b>(\$17,637,608)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Transportation (MoDOT)** stated their (MoDOT's) response to this legislation is slightly different than in prior years. Previously, we assumed that the revenue was not realized for one month after the collection. However, due to new processing procedures and SAMII, the revenue can be realized shortly after the collection date. Therefore, MoDOT will sustain losses for January through June instead of February through June as previously reported.

MoDOT, cities, and counties currently receive revenue generated from the 4% sales and use tax. We assume this legislation will be effective January 1, 2002. Therefore, only 6 months of loss is represented in FY02. The total estimated fiscal impact on the Road Fund will be a decrease of : \$44,262,000 in FY02; \$92,951,000 in FY03; and, \$97,599,000 in FY04. The State Transportation Fund will have a decrease of: \$434,000 in FY02; \$912,000 in FY03; and, \$957,000 in FY04.

The estimated loss of income to cities will be: \$7,552,000 in FY02; \$15,130,000 in FY03; and, \$15,887,000 in FY04. The estimated loss of income to counties will be: \$5,034,000 in FY02; \$9,115,000 in FY03; and, \$9,571,000 in FY04.

Officials from the **Department of Revenue (DOR)** noted this legislation is identical to Fiscal Note 3718-01, HB 1690, from last session and the revenue lost projections are again being used. To compute the fiscal impact on this legislation the department used 1999 collection figures, halved them, computed the effective date and grew this figure at a 5% rate for each full year thereafter. The department will also incur expenses to revise procedure and titling manuals and for notification all taxpayers.

For purposes of this fiscal note, **Oversight** has used the DOR's estimated revenue loss.

**This proposal would result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
<b>HIGHWAY FUND</b>			
<u>Loss - Highway Fund</u>			
Reduction in Sales/Use Tax	(\$39,108,752)	(\$82,128,379)	(\$86,234,797)
<u>Costs-Department of Revenue (DOR)</u>			
Revising procedures/manuals	(\$5,481)	\$0	\$0
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND</b>	<b><u>(\$39,114,233)</u></b>	<b><u>(\$82,128,379)</u></b>	<b><u>(\$86,234,797)</u></b>
<b>GENERAL REVENUE FUND</b>			
<u>Loss - General Revenue Fund</u>			
Reduction in Sales/Use Tax	(\$32,052,471)	(\$67,298,679)	(\$70,663,612)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$32,052,471)</u></b>	<b><u>(\$67,298,679)</u></b>	<b><u>(\$70,663,612)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (6 Mo.)	 FY 2003	 FY 2004
<b>LOCAL GOVERNMENTS</b>			
<u>Loss - Cities</u>			
Reduction in Sales/Use Tax	(\$4,799,349)	(\$10,078,633)	(\$10,582,565)
<u>Loss - Counties</u>			
Reduction in Sales/Use Tax	(\$3,199,566)	(\$6,719,089)	(\$7,055,043)
<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>	<b><u>(\$7,998,915)</u></b>	<b><u>(\$16,797,722)</u></b>	<b><u>(\$17,637,608)</u></b>

FISCAL IMPACT - Small Business

This proposal would benefit small businesses purchasing vehicles, and vehicle dealerships.

### DESCRIPTION

This proposal would reduce the state sales and use tax rate on motor vehicles which are purchased or leased from 4.225% to 2.225%. Local sales and use taxes would still apply to the sale.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

The proposal would have an effective date of January 1, 2002.

### SOURCES OF INFORMATION

Department of Revenue  
Department of Transportation

### NOT RESPONDING

Office of Administration  
Division of Budget and Planning



Jeanne Jarrett, CPA  
Director  
January 15, 2001